

Message Text

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43

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SPC-03 SAM-01 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15

ABF-01 FS-01 DRC-01 /183 W
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R 010915Z MAR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 319

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION EC BVUSSELS

USMISSION OECD PARIS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FOREX MARKET AND RELATED DEVELOPMENTS - FEB 25-MARCH 1

SUMMARY: DOLLAR STRENGTHENED BY 3.7 PERCENT DURING
TRADING WEEK ENDING MARCH 1 ON MODERATE VOLUME. END SUMMARY.

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1. SPOT DOLLAR STRENGTHENED THROUGHOUT WEEK TO CLOSE AT YEN 291.50 (REPRESENTATIVE RATE) ON FRI, MARCH PQM TRADING RANGE THROUGHOUT WEEK WAS BETWEEN YEN 280.30 AND YEN 292.00, WITH AVERAGE INTER-DAY FLUCTUATION OF APPROXIMATELY YEN 2.0 TO YEN4.0 BOJ INTERVENTION WAS AGAIN NON-EXISTENT THROUGHOUT WEEK. SPOT VOLUME FOR WEEK TOTALED \$297.9 MIL WITH DAILY HIGH REACHED THURSDAY, FEB 28 OF \$67.8 MIL. BOJ OFFICIAL NOTES THAT PAST FOUR WEEKS HAVE BEEN FIRST PROLONGED EXPERIENCE WITHOUT OFFICIAL SUPPORT FOR FOREX MARKET. HE STATES THAT THUS FAR NO "INTERVENTION ZONE" OR LIMITS DETERMINED BY CENTRAL BANK FOR FUTURE INTERVENTION. OFFICIAL EXPRESSED HOPE THAT FOREX BANKS CAN LEARN TO OPERATE IN ESSENTIALLY CLEAN FLOAT MARKET, AND FEELS THEY ARE SHOWING ABILITY TO DO SO SUCCESSFULLY.

2. IN FORWARD MARKET DOLLAR STRENGTHENED DURING FIRST TWO DAYS OF WEEK BUT THEN BY FRI RETURNED TO JUST ABOVE MONDAY'S LEVELS. THREE MONTH FORWARD (JUNE DELIVERY) CLOSED WEEK AT YEN 304.50, UP YEN0.5 FROM MON. SIX MONTH FORWARD (SEP DELIVERY) CLOSED WEEK AT YEN 309.50, UP YEN1.30 FROM MON. CORRESPONDING PREMIUMS WERE 17.84 PERCENT AND 12.35 PERCENT. VOLUME IN FORWARD MARKET DOWN CONSIDERABLY FROM LAST WEEK AT \$392.4 MIL. SWAP MARKET VOLUME WAS UP SLIGHTLY AT \$272.5 MIL.

3. OFFICIAL RESERVES INCREASED BY \$334 MIL IN FEB WHICH GENERALLY CONSIDERED TO REFLECT INTEREST EARNED ON GOJ RESERVES. BOJ OFFICIAL INDICATES USANCE CREDITS/MOF SWAPS REDUCED FURTHER BY \$450 MIL IN FEB. FINATT WILL SEEK TO LEARN IF MOF HAD OFFSETTING TRANSACTION DURING MONTH, E.G. INCREASE IN DEPOSITS WITH BANKS.

4. IMPACT LOANS: MOF HAD GIVEN PERMISSION TO FOREIGN BANKS TO INCREASE IMPACT LOANS BY AN AGGREGATE OF \$200 MIL BY END OF MARCH (REF TOKYO 1862). BOJ OFFICIAL TODAY INDICATED HIS EXPECTATION THAT APPROXIMATELY ONE-THIRD OF \$200 MIL INCREASE HAS BEEN BORROWED THUS FAR LIMITED OFFICIAL USE

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WITH BALANCE OF APPROXIMATELY \$130 MIL DUE TO FLOW IN DURING MONTH OF MARCH.

5. FOREIGN BOND ISSUES: MOF HAD EARLIER INDICATED PERMISSION WOULD BE GIVEN TO CERTAIN NUMBER OF COMPANIES TO ISSUE BONDS ABROAD, WITH FUNDS TO BE USED OFFSHORE (REF TOKYO 1862). ACCORDING TO RELIABLE SOURCE (MERRILL LYNCH-TOKYO) NINE MAJOR JAPANESE CORPORATIONS HAVE BEEN

GIVEN PERMISSION TO ISSUE BONDS OVERSEAS IN THE
PERIOD FEB-JUNE 1974. SIX OF THESE ISSUES ARE PLANNED
EURO-DOLLAR OFFERINGS (TWO CONVERTIBLE; FOUR STRAIGHT
DEBT), TWO OTHERS AS SWISS FRANC DEALS AND ONE STRAIGHT
DEBT DOLLAR OFFERING IN U.S. ALL ISSUES ARE EXPECTED TO
RANGE BETWEEN \$10 MIL AND \$20 MIL EQUIVALENT. OUT OF THE
NINE OFFERINGS ONLY FOUR INVOLVE AMERICAN INVESTMENT BANKING
FIRMS AS CO-MANAGERS (DILLON READ, MORGAN STANLEY, WHITE
WELD AND SMITH BARNEY).
SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN MARKETS, DOLLAR, FOREIGN EXCHANGE, FOREIGN EXCHANGE HOLDINGS, YEN (CURRENCY), BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO02760
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740373/aaaacpya.tel
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Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
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Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
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Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAR 2002 by collinp0>; APPROVED <04 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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TAGS: EFIN, JA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005